Coachman Insurance Company

2005

ANNUAL REPORT

Coachman

Responsibility for Financial Statements

The financial statements are the responsibility of management and have been prepared in conformity with accounting principles generally accepted in Canada. In the opinion of management, the financial statements fairly reflect the financial position, results of operations and cash flows of Coachman Insurance Company (the Corporation) within reasonable limits of materiality.

Preparation of financial information is an integral part of management's broader responsibilities for the ongoing operations of the Corporation. Management maintains an extensive system of internal accounting controls to ensure that transactions are accurately recorded on a timely basis, are properly approved and result in reliable financial statements.

An actuary has been appointed by the Corporation to carry out a valuation of the policy liabilities and to issue a report thereon to the shareholder and regulatory authorities. The valuation is carried out in accordance with accepted actuarial practice and common Canadian insurance regulatory requirements. The policy liabilities consist of a provision for unpaid claim and adjustment expenses on the earned portion of policies and of future obligations on the unearned portion of policies. In performing this valuation, the actuary makes assumptions as to future rates of claim frequency and severity, inflation, reinsurance recoveries, expenses and other contingencies, taking into consideration the circumstances of the Corporation and the nature of the insurance policies. The actuary also makes use of management information provided by the Corporation and the work of the external auditors in verifying the data used in the valuation.

The financial statements have been examined and approved by the Board of Directors. An Audit and Finance Committee, composed of members of the Board of Directors, meets periodically with financial officers of the Corporation and the external auditors. These external auditors have free access to this Committee, without management present, to discuss the results of their audit work and their opinion on the adequacy of internal financial controls and the quality of financial reporting.

KPMG LLP have been appointed external auditors. Their responsibility is to report to the shareholder and regulatory authorities regarding the fairness of presentation of the Corporation's financial position and results of operations as shown in the consolidated financial statements. In carrying out their audit, the external auditors also make use of the work of the actuary and his report on the policy liabilities. The Auditors' Report outlines the scope of their examination and their opinion.

Jon Schubert
President

Don Thompson
Chief Financial Officer

February 20, 2006

Actuary's Report

To the Shareholder of Coachman Insurance Company

I have valued the policy liabilities of Coachman Insurance Company for its statement of financial position at December 31, 2005 and their change in the statement of operations and retained deficit for the year then ended in accordance with accepted actuarial practice, including selection of appropriate assumptions and methods.

In my opinion, the amount of policy liabilities makes appropriate provision for all policyholder obligations, and the financial statements fairly present the results of the valuation.

Richard Gauthier
Fellow, Canadian Institute of Actuaries

February 20, 2006

Auditors' Report

To the Shareholder of Coachman Insurance Company

We have audited the statement of financial position of Coachman Insurance Company as at December 31, 2005 and the statements of operations and deficit and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 2005 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP

Chartered Accountants
Regina, Canada

February 20, 2006

Statement of Financial Position

December 31

	2005	2004
	(thousands of $)	
Assets		
Cash and cash equivalents (note 3)	$ 3,913	$ 3,296
Accounts receivable (notes 4 & 16)	11,867	10,120
Deferred policy acquisition costs	1,944	2,082
Reinsurers' share of unearned premiums (note 7)	386	1,654
Future income taxes (note 11)	2,689	–
Investments (note 5)	68,099	59,956
Unpaid claims recoverable from reinsurers (notes 7 & 8)	24,745	29,323
Property, plant and equipment (note 6)	24	56
	$113,667	$106,487
Liabilities		
Accounts payable	$ 2,556	$ 1,283
Premium taxes payable	–	199
Amounts due to reinsurers (note 7)	417	2,587
Unearned reinsurance commissions	47	42
Unearned premiums (note 16)	9,373	10,766
Provision for unpaid claims (notes 8 & 16)	83,961	80,460
	96,354	95,337
Shareholder's equity		
Share capital (note 12)	1,000	1,000
Contributed surplus (note 12)	30,600	25,600
Deficit	(14,287)	(15,450)
	17,313	11,150
	$113,667	$106,487

Commitments and contingencies (note 17)

(see accompanying notes)

Statement of Operations and Deficit

year ended December 31

	2005	2004
	(thousands of $)	
Gross premiums written	$ 27,064	$ 32,475
Net premiums written	$ 25,436	$ 29,129
Net premiums earned (note 7)	$ 25,518	$ 27,866
Claims incurred (note 7)	13,649	24,542
Commissions (note 7)	4,440	4,581
Administrative expenses	2,314	2,303
Premium taxes (note 7)	883	956
Facility Association participation (note 16)	(445)	(737)
Total claims and expenses	20,841	31,645
Underwriting profit (loss)	4,677	(3,779)
Investment earnings (note 9)	3,502	4,333
Income before loss from service agreement and income taxes	8,179	554
Loss from service agreement (note 10)	9,705	–
Income (loss) before income taxes	(1,526)	554
Income tax recovery (note 11)	2,689	128
Net income	1,163	682
Deficit, beginning of year	(15,450)	(16,132)
Deficit, end of year	$ (14,287)	$ (15,450)

(see accompanying notes)

Statement of Cash Flows

year ended December 31	2005	2004
Cash provided by (used for):	(thousands of $)	
Operating activities		
Net income	$ 1,163	$ 682
Non-cash items:		
Net realized gain on disposal of investments	(481)	(1,393)
Amortization	514	415
Future income taxes	(2,689)	–
Loss from service agreement	9,705	–
Change in non-cash operating items (note 13)	(4,451)	7,804
	3,761	7,508
Investing activities		
Purchase of investments	(108,971)	(102,699)
Proceeds on sale of investments	100,827	95,788
Purchase of property, plant and equipment	–	(20)
	(8,144)	(6,931)
Financing activities		
Contributed surplus	5,000	–
Increase in cash and cash equivalents	617	577
Cash and cash equivalents, beginning of year	3,296	2,719
Cash and cash equivalents, end of year	$ 3,913	$ 3,296

(see accompanying notes)

Notes to the Financial Statements

December 31, 2005

1. STATUS OF THE CORPORATION

Coachman Insurance Company (the Corporation) was incorporated under the laws of Ontario on June 12, 1979. The Corporation holds an Ontario provincial insurers' licence under the Ontario Insurance Act and is licensed to conduct business in Ontario.

The Corporation's automobile insurance premium rates are regulated by provincial government authorities. Regulation of premium rates is based on claims and other costs of providing insurance coverage, as well as projected profit margins. Regulatory approvals can limit or reduce premium rates that can be charged, or delay the implementation of changes in rates. Accordingly, a significant portion of the Corporation's revenue is subject to regulatory approvals.

As a wholly owned subsidiary of SGI CANADA Insurance Services Ltd., the financial results of the Corporation are included in consolidated financial results for the parent company.

2. SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles. The following are considered to be significant:

Deferred policy acquisition costs

Premium taxes, commissions and certain underwriting and policy issuance costs are charged to expenses over the term of the insurance policies to which they relate. The method followed in determining the deferred policy acquisition costs limits the amount of the deferral to the amount recoverable from unearned premiums after giving consideration to investment income, as well as claim and adjustment expenses expected to be incurred as the premiums are earned.

Investments

Bonds and debentures are recorded at amortized cost. Treasury bills are recorded at cost. Gains and losses on the disposal of investments are taken into income on their trade date. Investments are written down when there is a decline in value that is other than temporary.

Provision for unpaid claims

The provision for unpaid claims represents an estimate of the total cost of outstanding claims to the year-end date. Included in the estimate are reported claims, claims incurred but not reported and an estimate of adjustment expenses to be incurred on these claims. The provision is calculated without discounting. The estimates are necessarily subject to uncertainty and are selected from a range of possible outcomes. During the life of the claim, adjustments to the estimates are made as additional information becomes available. The change in outstanding losses plus paid losses is reported as claims incurred in the current period.

Premiums

Premiums written are recognized as revenue evenly over the terms of the related policies, no longer than 12 months. Unearned premiums represent the portion of premiums written relating to the unexpired terms of policies in force.

Reinsurance ceded

Reinsurance premiums ceded and reinsurance recoveries on losses incurred are recorded as reductions of the respective income and expense accounts.

Unpaid claims recoverable from reinsurers are estimated in a manner consistent with the method used for determining the provision for unpaid claims.

Property, plant and equipment

Property, plant and equipment are recorded at cost less accumulated amortization. Amortization is recorded on a straight-line basis, commencing in the year in which the asset is placed in service, over the estimated useful lives of the assets as follows:

Computer hardware, system costs and other equipment	20 - 33 1/3%

Income taxes

The Corporation uses the asset and liability method of accounting for income taxes. Current income taxes are recognized as estimated income taxes payable for the current year. Future income tax assets and liabilities consist of temporary differences between tax and accounting bases of assets and liabilities as well as the benefit of losses available to be carried forward to future years for tax purposes that are likely to be realized. The effect on future tax assets and liabilities of a change in tax rates is recognized as income in the period that includes the date of enactment or substantive enactment. A valuation allowance is recorded against any future income tax asset if it is more likely than not that the asset will not be realized.

Cash and cash equivalents

Cash and cash equivalents consist of cash on hand and treasury bills with a maturity of 90 days or less from the date of acquisition.

Measurement uncertainty

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates and changes in estimates are recorded in the accounting period in which they are determined. The most significant estimation process is related to the actuarial determination of the provision for unpaid claims (note 8).

3. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include $4,155,000 (2004 - $2,720,000) in treasury bills earning an average effective interest rate of 3.4% (2004 - 2.5%).

4. ACCOUNTS RECEIVABLE

	(thousands of $) 2005	2004
Financed premiums receivable	$ 3,977	$ 4,415
Facility Association receivable	2,054	2,013
Service agreement receivable (note 10)	1,235	1,157
Due from reinsurers	963	1,445
Accrued investment income	519	546
Due from brokers	225	208
Other	2,894	336
Total accounts receivable	$ 11,867	$ 10,120

Financed premiums receivable represent the portion of our policyholders monthly premium payments that are not yet due. The majority of our policyholders have the option to pay a portion of the premium when the policy is placed in force and the balance in monthly instalments. The policyholder pays an additional charge for this option, reflecting handling costs and the investment income that would have been earned on such premium, had the total amount been collected at the beginning of the policy period. The additional charge is recognized over the period of the policy.

5. INVESTMENTS

The carrying value and fair value of the Corporation's investments are as follows:

	(thousands of $) 2005		2004	
	Carrying Value	Estimated Fair Value	Carrying Value	Estimated Fair Value
Short-term investments	$ 3,865	$ 3,865	$ 4,102	$ 4,102
Bonds and debentures	64,234	64,339	55,854	56,232
Total investments	$ 68,099	$ 68,204	$ 59,956	$ 60,334

Details of significant terms and conditions, exposures to interest rate and credit risks of investments are as follows:

(i) Short-term investments:
Short-term investments are comprised of treasury bills with a maturity of less than one year but greater than 90 days from the date of acquisition. These investments have an average effective interest rate of 3.2% (2004 – 2.6%) and an average remaining term to maturity of 178 days (2004 – 90 days). The Corporation's investment policy states that investments must meet minimum investment standards of R-1, as rated by a recognized credit rating service.

Carrying amounts for short-term investments approximate fair value due to the immediate or short-term nature of these financial instruments.

(ii) Bonds and debentures:
The Corporation's investment policy states that the minimum quality standard for purchase of bonds and debentures is A, as rated by a recognized credit rating service.

The Corporation's investment policy limits its holdings for any one issuer, other than Government of Canada bonds, provincial bonds and their guarantees, to 5% of the market value of the total portfolio.

The carrying value and average effective interest rates are shown below by contractual maturity. Actual maturity may differ from contractual maturity because certain borrowers have the right to call or prepay obligations with or without call or prepayment penalties. The carrying values are essentially the same as the principal values and therefore the average effective rates are not materially different from the coupon rates. Interest is generally payable on a semi-annual basis.

(thousands of $)

Term to maturity (years)	2005 Carrying Value	2005 Average Effective Rates	2004 Carrying Value	2004 Average Effective Rates
Government of Canada:				
One or less	$ –	–	$ 50	6.5%
After one through five	14,765	3.8%	18,224	4.5%
After five	20,729	4.7%	12,725	4.6%
Canadian provincial & municipal:				
One or less	1,032	5.3%	–	–
After one through five	6,689	5.2%	6,426	5.0%
After five	6,495	5.5%	5,473	5.7%
Canadian corporate:				
After one through five	10,586	4.5%	8,366	4.8%
After five	3,938	5.5%	4,590	5.2%
Total bonds & debentures	$ 64,234		$ 55,854	

For bonds and debentures, the fair values are considered to approximate quoted market values on recognized stock exchanges, based on the latest bid prices.

Investments with a carrying value of $50,000 (2004 – $50,000) are held in trust as required by regulatory authorities.

6. PROPERTY, PLANT AND EQUIPMENT

The components of the Corporation's investment in property, plant and equipment, as well as related amortization, is as follows:

(thousands of $)

	2005			2004
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Building	$ 14	$ 11	$ 3	$ 6
Computer hardware, system costs and other equipment	751	730	21	50
Total	$ 765	$ 741	$ 24	$ 56

Amortization for the year is $32,000 (2004 – $45,000) and is included in administrative expenses on the statement of operations and deficit.

7. REINSURANCE CEDED

The Corporation has reinsurance treaties with SGI CANADA and other third party reinsurers, which limit the liability of the Corporation to a maximum amount on any one loss as follows:

	(thousands of $)
General liability and property	$ 150
Automobile	250
Catastrophe	250

The following table sets out the amount by which reinsurance ceded has reduced (increased) the premiums earned, claims incurred and commissions and premium taxes:

(thousands of $)

	2005	2004
Premiums earned	$ 2,897	$ 3,234
Claims incurred	(1,880)	14,550
Commissions and premium taxes	97	96

8. PROVISION FOR UNPAID CLAIMS

(i) Nature of unpaid claims:

The establishment of the provision for unpaid claims is based on known facts and interpretation of circumstances and is therefore a complex process influenced by a large variety of factors. Measurement of the provision is uncertain due to claims that are not reported to the Corporation at the year-end date and therefore estimates are made as to the value of these claims. As well, uncertainty exists for reported claims that have not been settled, as all the necessary information may not be available at the statement of financial position date.

Factors used to estimate the provision include: the Corporation's experience with similar cases, historical trends involving claim payments, the characteristics of the class of business, claim severity and claim frequency, the effect of inflation on future claim settlement costs, court decisions and economic conditions. Time is also a critical factor in determining the provision, since the longer it takes to settle and pay a claim the more variable the ultimate settlement amount will be. Accordingly, short-tail claims such as physical damage or collision claims tend to be more reasonably predictable than long-tail claims such as liability claims.

As a result, the establishment of the provision for unpaid claims relies on a number of factors and on the judgment and opinions of a large number of individuals, which necessarily involves risk that the actual results may differ materially from the estimates.

Changes in the estimates for the provision for unpaid claims are as follows:

	(thousands of $) 2005	2004
Net unpaid claims – beginning of year	$ 51,137	$ 43,951
Provision for unpaid service agreement claims	(1,157)	(1,275)
Payments made during the year relating to prior year claims	(11,874)	(11,366)
Deficiency (excess) relating to prior year estimated unpaid claims	(3,383)	3,255
Net unpaid for claims of prior years	34,723	34,565
Provision for claims occurring in the current year	13,553	15,415
Provision for unpaid service agreement claims (note 10)	10,940	1,157
Net unpaid claims – end of year	$ 59,216	$ 51,137

The fair value of the provision for unpaid claims and unpaid claims recoverable from reinsurers has been omitted because it is not practicable to determine fair value with sufficient reliability.

(ii) Type of unpaid claims:
The provision for unpaid claims is summarized by type of claim as follows:

	(thousands of $)					
	2005			2004		
	Gross	Reinsurance Recoverable	Net	Gross	Reinsurance Recoverable	Net
Automobile	$ 70,170	$ 24,539	$ 45,631	$ 76,981	$ 28,912	$ 48,069
Property	1,509	184	1,325	1,563	389	1,174
Liability	1,342	22	1,320	759	22	737
Service agreement (note 10)	10,940	-	10,940	1,157	-	1,157
Total	$ 83,961	$ 24,745	$ 59,216	$ 80,460	$ 29,323	$ 51,137

(iii) Structured settlements
During the normal course of settling insurance claims, the Corporation has purchased annuities from life insurance companies to make fixed payments to claimants of the Corporation. There are no rights under the non-commutable, non-assignable, non-transferable contracts that would provide for any current or future benefit to the Corporation. The Corporation remains liable only in the event that the life insurance company fails to make payments to the Corporation's claimant. As at Dec. 31, 2005, no information has come to the Corporation's attention that would suggest any weakness or failure in the life insurance companies from which it has purchased the annuities. Consequently, no provision for the credit risk is required. The net present value of these expected payments as of the statement of financial position date total $1,578,000 (2004 – $1,780,000).

9. INVESTMENT EARNINGS

The components of investment earnings are as follows:

	(thousands of $)	
	2005	2004
Income from interest	$ 2,414	$ 2,287
Income from premium financing	607	653
Realized gain on sale of investments	481	1,393
Total investment earnings	$ 3,502	$ 4,333

10. LOSS FROM SERVICE AGREEMENT

During 1998, the Corporation issued an insurance policy to a vehicle rental company (the rental company). The policy provided bodily injury liability coverage on the rental company's vehicles being driven by its customers. The rental company paid the Corporation an annual premium under this policy between $100,000 and $120,000. At the same time, the Corporation made an agreement that allowed the rental company to settle and pay all claims submitted by its customers. Because the insurance coverage was in the name of the Corporation, the rental company was required to report to the Corporation quarterly on the status of all reported claims and the provision for unpaid claims. As security to guarantee the provision for unpaid claims, a trust account was to be maintained in an amount that would meet the funding of the outstanding liabilities related to the policy.

The agreement with the rental company expired on March 31, 2005. Subsequent to the expiration of the contract, the rental company filed for voluntary receivership. During the receivership proceedings, it was determined that the rental company had not reported claims correctly to Coachman, nor had it deposited the correct amounts in the trust account. The Corporation has estimated the provision for unpaid claims relating to the insurance policy to be $10,940,000 (note 8). A receivable has also been recorded of $1,235,000 (note 4) based on the balance in the trust account at Dec. 31, 2005. The shortfall of $9,705,000 has been charged to current year operations.

Coachman is attempting to recover the shortfall related to this service agreement. Any recovery will be accounted for in the year of receipt.

11. INCOME TAXES

The Corporation's provision for recovery of income taxes is as follows:

	(thousands of $) 2005	2004
Current	$ –	$ (128)
Future	(2,689)	–
Total income tax recovery	$ (2,689)	$ (128)

Income tax expense differs from the amount that would be computed by applying the federal and provincial statutory income tax rates to income before income taxes. The reasons for the differences are as follows:

	(thousands of $) 2005	2004
Income/(loss) before income taxes	$ (1,526)	$ 554
Combined federal and provincial tax rate	36.12%	36.12%
Computed tax expense based on combined rate	$ (551)	$ 200
Increase (decrease) resulting from:		
Non deductible expenses for tax purposes	11	12
Valuation allowance	(2,149)	(283)
Other	–	(57)
Total income tax recovery	$ (2,689)	$ (128)

The tax effects of temporary differences that give rise to significant portions of the future tax assets and future tax liabilities are presented below:

	(thousands of $) 2005	2004
Future income tax assets		
Tax loss carryforward	$ 8,446	$ –
Provision for unpaid claims	1,448	8,927
Unearned premiums	–	3,889
Other	30	30
	9,924	12,846
Valuation allowance	(5,926)	(8,075)
Total future income tax assets	3,998	4,771
Future income tax liabilities		
Bonds and debentures	862	873
Unpaid claims recoverable from reinsurers	447	3,301
Reinsurers' share of unearned premiums	–	597
Total future income tax liabilities	1,309	4,771
Net future income tax assets	$ 2,689	$ –

The Corporation has non-capital loss carryforwards of approximately $23,385,000 (2004 – nil) that expire in 2015.

12. SHARE CAPITAL AND CONTRIBUTED SURPLUS

The Corporation is authorized to issue 10,000 common shares. At the end of 2005 there are 10,000 (2004 – 10,000) common shares issued. In 2005, SGI CANADA Insurance Services Ltd. contributed $5 million (2004 – nil) in cash, which is reflected as contributed surplus on the statement of financial position.

13. CHANGE IN NON-CASH OPERATING ITEMS

The change in non-cash operating items is comprised of the following:

	(thousands of $) 2005	2004
Accounts receivable	$ (1,670)	$ 917
Deferred policy acquisition costs	138	(393)
Reinsurers' share of unearned premiums	1,268	(111)
Unpaid claims recoverable from reinsurers	4,578	(11,547)
Accounts payable	1,273	(421)
Premium taxes payable	(199)	(208)
Amounts due to reinsurers	(2,170)	112
Unearned reinsurance commissions	5	12
Unearned premiums	(1,393)	710
Provision for unpaid claims	(6,281)	18,733
	$ (4,451)	$ 7,804

14. FAIR VALUE

The fair value of financial assets and liabilities, other than investments (note 5), unpaid claims and unpaid claims recoverable from reinsurers (note 8), approximate carrying value due to their immediate or short-term nature.

15. RELATED PARTY TRANSACTIONS

Included in these financial statements are transactions with various Saskatchewan Crown corporations, departments, agencies, boards and commissions related to the Corporation by virtue of common control by the Government of Saskatchewan and non-Crown corporations and enterprises subject to joint control and significant influence by the Government of Saskatchewan (collectively referred to as "related parties"). Routine operating transactions with related parties are settled at prevailing market prices under normal trade terms.

Transactions and amounts outstanding at year-end are as follows:

Category	(thousands of $) 2005	2004
Accounts receivable	$ 7	$ 2
Investments	1,065	474
Investment earnings	36	55

SGI CANADA provides management and administrative services to the Corporation as well as being one of its reinsurers (note 7). Administrative expenses incurred by SGI CANADA and charged to the Corporation were $984,000 (2004 – $885,000) and accounts payable are $133,000 (2004 – $159,000).

In 2003, the Corporation entered into an agreement with SGI CANADA, the Corporation's ultimate shareholder, whereby SGI CANADA would transfer to the Corporation net amounts recoverable after Dec. 31, 2002 on reinsurance for adverse loss development on the Corporation's losses occurring prior to April 30, 2001. The Corporation will reimburse SGI CANADA for any costs it may incur under the reinsurance contract. At Dec. 31, 2005, $1,859,000 (2004 – $2,293,000) was accrued under this reinsurance policy and has reduced claims incurred.

Other related party transactions are disclosed separately in the notes to the financial statements.

16. FACILITY ASSOCIATION PARTICIPATION

The Corporation is a participant in various automobile risk sharing pools in Ontario, whereby companies in the industry share resources to provide insurance coverage to high-risk insureds.

Facility Association transactions recorded in the Corporation's financial results are as follows:

	(thousands of $)	
	2005	2004
Gross premiums written	$ 162	$ 771
Net premiums earned	$ 204	$ 1,437
Claims incurred	(283)	582
Commissions	18	(45)
Premium taxes	6	43
Administrative expenses	36	201
Total claims and expenses	(223)	781
Underwriting profit	427	656
Investment earnings	18	81
Net income	$ 445	$ 737
Facility Association receivable	$ 2,054	$ 2,013
Unearned premiums	515	557
Provision for unpaid claims	1,924	2,660
Facility Association payable	1,520	–

17. COMMITMENTS AND CONTINGENCIES

The Corporation has a lease for its office premises expiring Dec. 31, 2008 at an annual rent of $180,000.

In common with the insurance industry in general, the Corporation is subject to litigation arising in the normal course of conducting its insurance business. The Corporation is of the opinion that this litigation will not have a significant effect on the financial position or results of operation of the Corporation.

18. COMPARATIVE FINANCIAL INFORMATION

For comparative purposes, certain 2004 balances have been reclassified to conform to 2005 financial statement presentation.